

CALHOUN COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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CALHOUN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Expires</u>
(Before January 2009)		
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2009
Gary Nicholson	Board of Supervisors	Jan. 2009
Scott Jacobs	Board of Supervisors	Jan. 2011
Judy Howrey	County Auditor	Jan. 2009
Lori Erkenbrack	County Treasurer	Jan. 2011
Kathy Bennett	County Recorder	Jan. 2011
William A. Davis	County Sheriff	Jan. 2009
Cynthia Voorde	County Attorney	Jan. 2011
Joan Wagner	County Assessor	Jan. 2010
(After January 2009)		
Scott Jacobs	Board of Supervisors	Jan. 2011
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2013
Gary Nicholson	Board of Supervisors	Jan. 2013
Judy Howrey	County Auditor	Jan. 2013
Lori Erkenbrack	County Treasurer	Jan. 2011
Kathy Bennett	County Recorder	Jan. 2011
William A. Davis	County Sheriff	Jan. 2013
Cynthia Voorde	County Attorney	Jan. 2011
Joan Wagner	County Assessor	Jan. 2010

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Calhoun County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2010, on our consideration of Calhoun County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ending June 30, 2002 (which are not presented herein), and expressed qualified opinions on those financial statements because the materials and supplies inventory were not included. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the six year period ending June 30, 2008 (which are not presented herein), and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 16, 2010

Humphman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenue of Calhoun County's governmental activities increased 11.1%, or \$1,454,898, from fiscal 2008 to fiscal 2009. Charges for services decreased \$448,868, operating grants and contributions decreased \$903,441, property tax increased \$481,625, and unrestricted investment earnings decreased \$126,228. Capital grants and contributions increased \$2,456,371.
- Program expenses of Calhoun County's governmental activities were .6%, or \$77,157, more in fiscal 2009 than in fiscal 2008.
- Calhoun County's net assets increased 13.5%, or \$2,107,953 from June 30, 2008, to June 30, 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Calhoun County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calhoun County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Calhoun County's combined net assets for fiscal year 2009 totaled approximately \$17.7 million, increasing from \$15.6 million for fiscal year 2008. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	<u>2009</u>	<u>June 30</u> <u>2008</u>
Current and other assets	\$ 12,467,072	\$ 12,312,845
Capital assets	<u>12,754,239</u>	<u>10,237,156</u>
Total assets	<u>25,221,311</u>	<u>22,550,001</u>
Long-term liabilities	1,192,411	808,912
Other liabilities	<u>6,355,643</u>	<u>6,175,785</u>
Total liabilities	<u>7,548,054</u>	<u>6,984,697</u>
Net assets		
Invested in capital assets	12,754,239	10,237,156
Restricted	3,658,973	3,449,504
Unrestricted	<u>1,260,045</u>	<u>1,878,644</u>
Total net assets	<u>\$ 17,673,257</u>	<u>\$ 15,565,304</u>

Net assets of Calhoun County's governmental activities increased by \$2,107,953 from fiscal year 2008. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

	Year Ended June 30,	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,318,305	\$ 1,767,173
Operating grants, contributions, and restricted interest	4,366,047	5,269,488
Capital grants, contributions, and restricted interest	3,034,602	578,231
General revenues:		
Property tax	5,346,050	4,864,425
Penalty and interest on property tax	39,014	39,948
State tax credits	258,932	264,957
Unrestricted investment earnings	176,809	303,037
Other general revenues	<u>5,453</u>	<u>3,055</u>
Total revenues	<u>14,545,212</u>	<u>13,090,314</u>
Program expenses:		
Public safety and legal services	1,702,654	1,259,801
Physical health and social services	2,442,806	3,450,428
Mental health	1,203,778	1,195,363
County environment and education	570,907	677,659
Roads and transportation	4,029,250	3,743,898
Governmental services to residents	433,659	430,509
Administration	1,135,479	1,177,740
Non-program	882,962	392,775
Interest on long-term debt	<u>35,764</u>	<u>31,929</u>
Total expenses	<u>12,437,259</u>	<u>12,360,102</u>
Increase in net assets	2,107,953	730,212
Net assets beginning of year, as restated	<u>15,565,304</u>	<u>14,835,092</u>
Net assets end of year, as restated	<u>\$ 17,673,257</u>	<u>\$ 15,565,304</u>

Calhoun County decreased property taxes from a total levy of 12.0122 to 11.93032 from fiscal year 2008 to fiscal year 2009.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$5,574,759, a decrease of \$164,886 from last year's total of \$5,739,645. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues decreased by \$597,857 and expenditures decreased by \$516,048. The General Fund ending balance decreased by \$187,644 from the prior year to \$2,823,646. The departments usually spend 90% of their budget trying to have something to work with in case an expenditure arises that was not anticipated. Budget amendments are expensive to the taxpayer with publications costing approximately \$250 each time. The departments try to cover budgeted expenses until close of fiscal year but sometimes things unforeseen or increased costs in a budget causes the need for a budget amendment which is done in May.

- Mental Health Fund revenues decreased by \$13,515. Mental health expenditures increased \$531. The fund balance at the end of fiscal year 2009 was \$181,132.
- Rural Services Fund ending balance increased \$75,243 from the prior year.
- Secondary Roads Fund revenues decreased \$451,417 and expenditures decreased \$159,202. The ending fund balance of \$1,138,838 was a \$104,599 decrease from the prior year.
- Conservation Trust Fund expenditures decreased \$118,449 from fiscal year 2008 to fiscal year 2009.
- Capital Projects Fund expenditures decreased \$47,733 from fiscal year 2008 to fiscal year 2009.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget one time. The amendment, which was made on May 26, 2009, increased budgeted expenditures by \$238,000.

Even with this amendment, the County exceeded the amounts budgeted in the public safety and legal services function. There was a change in the Public Safety area with the starting of a county ambulance. The Board wanted a breakdown from the Public Health so the chart of account numbers were changed which should have then been amended to reflect that change. This is taken care of for future years.

CAPITAL ASSETS

At June 30, 2009, Calhoun County had approximately \$12.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

	2009	<u>June 30,</u> 2008
Land	\$ 565,548	\$ 565,548
Buildings and improvements	1,012,832	981,464
Equipment and vehicles	4,419,844	4,580,777
Construction in progress	25,000	-
Infrastructure, road network	<u>6,731,015</u>	<u>4,109,367</u>
Total	<u>\$ 12,754,239</u>	<u>\$ 10,237,156</u>

The County had depreciation expense of \$912,712 in fiscal year 2009, and total accumulated depreciation of \$5,257,915 at June 30, 2009.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Calhoun County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget and tax rates. One of the factors concerning Calhoun County is the age of the population. The census for 1990 was 11,580 and 2000 was 11,115. The aging population was taken into consideration by the Health Department and the grants that would be the most beneficial concerning this factor.

All departments budget very conservatively. The Board asked that the budgets remain the same for fiscal year 2010/2011. Also, there was a 0% increase for wages due to the economy. There was no projected increase in the cost of health care benefits which has been the same now for three years due to self funding.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County's finances and to show the County's accountability for the money it receives. If you have any questions, contact the Calhoun County Auditor's Office, 416 Fourth St., Ste 1, Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit A

Governmental
Activities

ASSETS

Cash and pooled investments	\$ 5,561,181
Receivables (net of allowances for uncollectibles):	
Property tax:	
Delinquent	12,816
Succeeding year	5,556,356
Interest and penalty on property tax	35,042
Accounts	535,765
Accrued interest	13,566
Notes	81,750
Due from other governments	78,100
Inventories	503,331
Prepaid expenses	89,165
Land	565,548
Construction in progress	25,000
Capital assets (net of accumulated depreciation)	<u>12,163,691</u>
Total assets	<u>25,221,311</u>

LIABILITIES

Accounts payable	448,799
Salaries and benefits payable	104,993
Due to other governments	162,424
Interest payable	76,343
Deferred revenue:	
Succeeding year property tax	5,556,356
Other	6,728
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	428,752
Portion due or payable after one year:	
Drainage warrants payable	<u>763,659</u>
Total liabilities	<u>7,548,054</u>

NET ASSETS

Invested in capital assets	12,754,239
Restricted for:	
Supplemental levy purposes	1,373,271
Secondary roads purposes	980,133
Other purposes	1,305,569
Unrestricted	<u>1,260,045</u>
Total net assets	<u>\$ 17,673,257</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Exhibit B

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	
Functions/Programs					
Governmental activities:					
Public safety and legal services	\$ 1,702,654	\$ 68,389	\$ 65,628	\$ -	\$ (1,568,637)
Physical health and social services	2,442,806	724,263	1,056,573	-	(661,970)
Mental health	1,203,778	1,648	863,512	-	(338,618)
County environment and education	570,907	124,943	11,130	-	(434,834)
Roads and transportation	4,029,250	131,778	2,369,176	2,934,689	1,406,393
Governmental services to residents	433,659	199,920	28	-	(233,711)
Administration	1,135,479	67,364	-	-	(1,068,115)
Non-program	882,962	-	-	99,913	(783,049)
Interest on long-term debt	35,764	-	-	-	(35,764)
Total	<u>\$12,437,259</u>	<u>\$1,318,305</u>	<u>\$ 4,366,047</u>	<u>\$ 3,034,602</u>	<u>(3,718,305)</u>
General Revenues:					
Property and other county tax					5,346,050
Penalty and interest on property tax					39,014
State tax credits					258,932
Unrestricted investment earnings					176,809
Miscellaneous					<u>5,453</u>
Total general revenues					<u>5,826,258</u>
Change in net assets					2,107,953
Net assets beginning of year					<u>15,565,304</u>
Net assets end of year					<u>\$ 17,673,257</u>

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

Exhibit C

	Special Revenue						Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Conservation Trust	Capital Projects	Special Revenue	Total
<u>ASSETS</u>								
Cash and pooled investments	\$2,198,964	\$ 342,545	\$ 369,264	\$ 682,813	\$ 523,082	\$ 386,082	\$ 321,678	\$ 4,824,428
Receivables:								
Property tax:								
Delinquent	17,928	2,009	1,157	-	-	-	-	21,094
Succeeding year	3,649,615	409,035	1,497,706	-	-	-	-	5,556,356
Interest and penalty on property tax	40,687	-	-	-	-	-	-	40,687
Accounts	500,516	-	4,504	-	7,326	-	2,808	515,154
Accrued interest	13,477	-	-	-	-	-	-	13,477
Notes	81,750	-	-	-	-	-	-	81,750
Due from other governments	69,116	-	-	8,984	-	-	-	78,100
Inventories	-	-	-	503,331	-	-	-	503,331
Prepaid expenses	110,768	-	25,314	54,395	-	-	-	190,477
Total assets	<u>\$6,682,821</u>	<u>\$ 753,589</u>	<u>\$1,897,945</u>	<u>\$1,249,523</u>	<u>\$ 530,408</u>	<u>\$ 386,082</u>	<u>\$ 324,486</u>	<u>\$11,824,854</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 81,678	\$ 19,698	\$ 8,154	\$ 56,966	\$ 3,956	\$ -	\$ 117,746	\$ 288,198
Salaries and benefits payable	48,039	658	2,716	53,580	-	-	-	104,993
Due to other governments	21,228	141,057	-	139	-	-	-	162,424
Interest payable	-	-	-	-	-	-	76,343	76,343
Deferred revenue:								
Succeeding year property tax	3,649,615	409,035	1,497,706	-	-	-	-	5,556,356
Other	58,615	2,009	1,157	-	-	-	-	61,781
Total liabilities	<u>3,859,175</u>	<u>572,457</u>	<u>1,509,733</u>	<u>110,685</u>	<u>3,956</u>	<u>-</u>	<u>194,089</u>	<u>6,250,095</u>
Fund balances:								
Reserved for:								
Supplemental levy purposes	1,373,271	-	-	-	-	-	-	1,373,271
Drainage warrants	-	-	-	-	-	-	(156,047)	(156,047)
Inventories	-	-	-	503,331	-	-	-	503,331
Prepaid expenses	110,768	-	25,314	54,395	-	-	-	190,477
Unreserved, reported in:								
General fund	1,339,607	-	-	-	-	-	-	1,339,607
Special revenue funds	-	181,132	362,898	581,112	526,452	-	286,444	1,938,038
Capital projects fund	-	-	-	-	-	386,082	-	386,082
Total fund balances	<u>2,823,646</u>	<u>181,132</u>	<u>388,212</u>	<u>1,138,838</u>	<u>526,452</u>	<u>386,082</u>	<u>130,397</u>	<u>5,574,759</u>
Total liabilities and fund balances	<u>\$6,682,821</u>	<u>\$ 753,589</u>	<u>\$1,897,945</u>	<u>\$1,249,523</u>	<u>\$ 530,408</u>	<u>\$ 386,082</u>	<u>\$ 324,486</u>	<u>\$11,824,854</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit D

Total governmental fund balances	\$ 5,574,759
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$18,012,154 and the accumulated depreciation is \$5,257,915.	12,754,239
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	61,781
The allowance for uncollectible accounts receivable is not reported in the governmental funds.	(13,923)
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	488,812
Compensated absences payable and drainage warrants payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,192,411)</u>
Net assets of governmental activities	<u>\$ 17,673,257</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

Exhibit E

		Special Revenue					Nonmajor	
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Conservation Trust</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues:								
Property and other County tax	\$3,513,216	\$ 409,022	\$1,422,785	\$ -	\$ -	\$ -	\$ -	\$5,345,023
Interest and penalty on property tax	30,723	-	-	-	-	-	-	30,723
Intergovernmental	1,427,332	883,917	64,644	2,369,176	-	-	13,803	4,758,872
Licenses and permits	11,178	-	-	4,320	-	-	-	15,498
Charges for service	702,135	-	21,763	-	95,492	-	7,159	826,549
Use of money and property	164,525	-	-	-	6,073	-	60	170,658
Miscellaneous	30,195	1,648	-	64,098	22,017	-	99,913	217,871
Total revenues	<u>5,879,304</u>	<u>1,294,587</u>	<u>1,509,192</u>	<u>2,437,594</u>	<u>123,582</u>	<u>-</u>	<u>120,935</u>	<u>11,365,194</u>
Expenditures:								
Operating:								
Public safety and legal services	1,440,222	-	300,734	-	-	-	2,579	1,743,535
Physical health and social services	2,516,749	-	-	-	-	-	-	2,516,749
Mental health	-	1,195,894	-	-	-	-	-	1,195,894
County environment and education	440,499	-	146,367	-	-	-	-	586,866
Roads and transportation	1,342	-	44,142	3,506,297	-	-	-	3,551,781
Governmental services to residents	413,583	-	1,255	-	-	-	-	414,838
Administrative	936,677	-	1,132	-	-	-	-	937,809
Non-program	7,410	-	-	-	-	-	691,280	698,690
Capital projects	-	-	-	67,271	132,212	88,942	-	288,425
Total expenditures	<u>5,756,482</u>	<u>1,195,894</u>	<u>493,630</u>	<u>3,573,568</u>	<u>132,212</u>	<u>88,942</u>	<u>693,859</u>	<u>11,934,587</u>
Excess (deficiency) of revenues over expenditures	<u>122,822</u>	<u>98,693</u>	<u>1,015,562</u>	<u>(1,135,974)</u>	<u>(8,630)</u>	<u>(88,942)</u>	<u>(572,924)</u>	<u>(569,393)</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	4,040	-	-	-	4,040
Operating transfers in	-	-	-	1,027,335	-	223,450	-	1,250,785
Operating transfers out	(310,466)	-	(940,319)	-	-	-	-	(1,250,785)
Drainage district warrants issued	-	-	-	-	-	-	400,467	400,467
Total other financing sources (uses)	<u>(310,466)</u>	<u>-</u>	<u>(940,319)</u>	<u>1,031,375</u>	<u>-</u>	<u>223,450</u>	<u>400,467</u>	<u>404,507</u>
Net change in fund balances	(187,644)	98,693	75,243	(104,599)	(8,630)	134,508	(172,457)	(164,886)
Fund balances, beginning of year	<u>3,011,290</u>	<u>82,439</u>	<u>312,969</u>	<u>1,243,437</u>	<u>535,082</u>	<u>251,574</u>	<u>302,854</u>	<u>5,739,645</u>
Fund balances, end of year	<u>\$2,823,646</u>	<u>\$ 181,132</u>	<u>\$ 388,212</u>	<u>\$1,138,838</u>	<u>\$ 526,452</u>	<u>\$386,082</u>	<u>\$130,397</u>	<u>\$5,574,759</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Exhibit F

Net change in fund balances - Total governmental funds (\$ 164,886)

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. Capital outlay expenditures and
contributed capital assets exceeded depreciation expense in the current
year as follows:

Expenditures for capital assets	\$ 3,450,556	
Depreciation expense	<u>(912,712)</u>	2,537,844

In the Statement of Activities, the net effect of various transactions involving
capital assets (i.e., sales and trade-ins) is reflected in depreciation expense,
whereas the governmental funds report any proceeds from the
disposition of assets as an increase in financial resources. (20,761)

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds as follows:

Property tax	5,806
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The decrease in the allowance for uncollectible accounts receivable is not
reported in the fund financial statements. 3,512

Repayment of long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement
of Net Assets.
Repaid (400,467)

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:
Compensated absences 16,968

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets of
the Internal Service Fund is reported with governmental activities. 129,937

Change in net assets of governmental activities \$ 2,107,953

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

Exhibit G

	Internal Service Employee Group Health
<u>ASSETS</u>	
Cash and cash equivalents	\$ 736,753
Accounts receivable	20,611
Accrued interest	<u>89</u>
Total assets	<u>757,453</u>
 <u>LIABILITIES</u>	
Accounts payable	160,601
Deferred revenue	<u>108,040</u>
Total liabilities	<u>268,641</u>
 <u>NET ASSETS</u>	
Unrestricted	<u>\$ 488,812</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

Exhibit H

	<u>Internal Service Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,284,286
Reimbursements from employees and others	50,109
Insurance reimbursements	<u>121,711</u>
Total operating revenues	1,456,106
 Operating expenses:	
Medical claims and administrative fees	<u>1,332,322</u>
Operating income	123,784
 Non-operating revenues:	
Interest income	<u>6,151</u>
Net income	129,935
 Net assets beginning of year	<u>358,877</u>
 Net assets end of year	<u>\$ 488,812</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

Exhibit I

	<u>Internal Service Employee Group Health</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 50,109
Cash received from insurance reimbursements	101,101
Cash received from operating fund reimbursements	1,279,564
Cash payments for medical claims and administrative fees	<u>(1,357,590)</u>
Net cash provided by operating activities	73,184
Cash flows from investing activities:	
Interest on investments	<u>6,980</u>
Net increase in cash and cash equivalents	80,164
Cash and cash equivalents, beginning of year	<u>656,589</u>
Cash and cash equivalents, end of year	<u>\$ 736,753</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 123,784
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accrued revenue	(20,611)
Decrease in accrued expenses	(25,268)
Decrease in deferred revenue	<u>(4,721)</u>
Net cash provided by operating activities	<u>\$ 73,184</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2009

Exhibit J

ASSETS

Cash and pooled investments:

County treasurer	\$ 633,873
Other county officials	39,269

Receivables:

Property tax:

Delinquent	77,104
Succeeding year	9,693,497

Accounts	13,574
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Due from other governments	7,303
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Total assets	<u>10,464,620</u>
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LIABILITIES

Accounts payable	10,462
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Salaries payable	810
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Due to other governments	10,448,241
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Trusts payable	5,107
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Total liabilities	<u>10,464,620</u>
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Net Assets	<u>\$ -</u>
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See notes to financial statements.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Calhoun County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Calhoun County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred nineteen drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Joint Disaster Services Commission, Calhoun County Landfill Authority, and Calhoun County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets consists of capital assets net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue: (Continued)

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Conservation Trust Fund is used to account for conservation activities including parks and trails.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007, assessed property valuations; is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepays - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the Government-wide and fund financial statements on the consumption method.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	10-65
Equipment	4-50
Vehicles	6-10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets - The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety and legal services function.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement Number 3.

The County's investments at June 30, 2009, include drainage district warrants with a carrying amount of \$90,004. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,508,085 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 87,016
	Special Revenue:	
	Rural Services	<u>940,319</u>
		1,027,335
Capital Projects	General	<u>223,450</u>
Total		<u>\$ 1,250,785</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009, was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 565,548	\$ -	\$ -	\$ 565,548
Construction in progress	-	25,000	-	25,000
Total capital assets not being depreciated	<u>565,548</u>	<u>25,000</u>	<u>-</u>	<u>590,548</u>
Capital assets being depreciated:				
Buildings	1,496,303	72,697	-	1,569,000
Equipment and vehicles	7,982,353	349,781	(138,863)	8,193,271
Infrastructure, road network	<u>4,656,257</u>	<u>3,003,078</u>	<u>-</u>	<u>7,659,335</u>
Total capital assets being depreciated	<u>14,134,913</u>	<u>3,425,556</u>	<u>(138,863)</u>	<u>17,421,606</u>
Less accumulated depreciation for:				
Buildings	514,839	41,329	-	556,168
Equipment and vehicles	3,401,576	489,953	(118,102)	3,773,427
Infrastructure, road network	<u>546,890</u>	<u>381,430</u>	<u>-</u>	<u>928,320</u>
Total accumulated depreciation	<u>4,463,305</u>	<u>912,712</u>	<u>(118,102)</u>	<u>5,257,915</u>
Total capital assets being depreciated, net	<u>9,671,608</u>	<u>2,512,844</u>	<u>(20,761)</u>	<u>12,163,691</u>
Governmental activities capital assets, net	<u>\$ 10,237,156</u>	<u>\$ 2,537,844</u>	<u>\$ (20,761)</u>	<u>\$ 12,754,239</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 44,304
Physical health and social services	8,661
County environment and education	49,849
Roads and transportation	737,634
Governmental services to residents	16,488
Administration	<u>55,776</u>
Total depreciation expense - governmental activities	<u>\$ 912,712</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 21,228
Special Revenue:		
Mental Health	Services	141,057
Secondary Roads	Services	139
		<u>141,196</u>
Total for governmental funds		<u>\$ 162,424</u>
Agency:		
County Assessor	Collections	\$ 351,770
Schools		6,630,603
Community Colleges		488,525
Corporations		2,207,041
Auto License and Use Tax		258,903
All other		<u>511,399</u>
Total for agency funds		<u>\$ 10,448,241</u>

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2009, is as follows:

	<u>Drainage Warrants</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance, beginning of year	\$ 363,192	\$ 445,720	\$ 808,912
Increases	400,467	-	400,467
Decreases	-	(16,968)	(16,968)
Balance, end of year	<u>\$ 763,659</u>	<u>\$ 428,752</u>	<u>\$ 1,192,411</u>
Due within one year	<u>\$ -</u>	<u>\$ 428,752</u>	<u>\$ 428,752</u>
<u>Drainage Warrants</u>			

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$268,355, \$261,525, and \$241,504, respectively, equal to the required contributions for each year.

8. RISK MANAGEMENT

Calhoun County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2009, were \$163,122.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. RISK MANAGEMENT - (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively, except that the treasurer's bond is in the amount of \$160,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions in the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2009, was \$1,284,286.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. EMPLOYEE HEALTH INSURANCE PLAN - (Continued)

Amounts payable from the Employee Group Health Fund at June 30, 2009, total \$160,601, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	<u>\$ 185,869</u>
Incurred claims (including claims incurred but not reported at June 30, 2009):	
Current year events	<u>1,307,054</u>
Total incurred claims	<u>1,307,054</u>
Payments:	
Current year events	1,146,453
Prior year events	<u>185,869</u>
Total payments	<u>1,332,322</u>
 Unpaid claims end of year	 <u>\$ 160,601</u>

10. E911 NOTE PAYABLE

During the year ended June 30, 2003, Calhoun County loaned \$318,000 to the Calhoun County E911 Service Board. The ten year loan is interest free and is being paid off at a rate of \$35,000 (four quarterly payments of \$8,750) per year for each of the first nine years with the balance of \$3,000 to be paid during the tenth year. During the year ended June 30, 2009, the County received payments totaling \$35,000. The balance of the note on June 30, 2009, was \$81,750.

11. DESIGNATED FUND BALANCE

The Board of Supervisors has designated \$455,000 from the Conservation Land Acquisition Fund balance for use on the completion of a two story cabin at Twin Lakes, a year round shelter house with meeting room, and a parking lot. From the Resource Enhancement and Protection Fund, \$29,000 was designated for sealcoating of a park road at Twin Lakes. In the Secondary Road Fund, \$859,900 is designated for the purchase of gravel, equipment, and road resurfacing. In the Capital Projects Funds, \$97,300 is designated for the purchase of computer equipment, costs remaining on new boiler for the courthouse, and balance of payment for partial replacement of windows in the courthouse.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

12. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2009, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6-30-09</u>	<u>Remaining Commitment As of 6-30-09</u>
Purchase of gravel	\$ 178,724	\$ -	\$ 178,724
Pavement markings	\$ 58,216	\$ 56,470	\$ 1,746
Work done on drainage district	\$ 219,794	\$ 122,417	\$ 97,377
Purchase of courthouse windows	\$ 52,300	\$ 25,000	\$ 27,300

The balance remaining at June 30, 2009, will be paid as work on the projects progresses.

13. FARM LEASE

The County has entered into an agreement to lease 236.5 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$61,870.77 per year for each of the three years of the lease with payments of \$20,623.59 being due on or before each March 15, August 15, and December 1, of 2008, 2009, and 2010. This agreement commenced on March 1, 2008, and will end on February 28, 2011.

14. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

The Center's activity for the fiscal year ending June 30, 2008, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$ 2,023,090
Receipts	6,253,465
Disbursements	<u>8,136,211</u>
Net assets, end of year	<u>\$ 140,344</u>

During the year ended June 30, 2008, the Center issued and retired bank loans totaling \$1,100,000 and issued a \$2,500,000 revenue note to finance the construction of a new facility. At June 30, 2008, the balance outstanding on the revenue note was \$1,285,563.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

15. OPERATING LEASE

Calhoun County leases digital imaging and client monitoring equipment for its public health department, which provides respite and supported community living services to clients over a six county area. Total expenses under these operating leases for the year ended June 30, 2009, was \$62,489. Future remaining payments under these leases at June 30, 2009, are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 52,055
2011	<u>8,003</u>
Total minimum lease payments	<u>\$ 60,058</u>

16. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

17. ACCOUNTING RESTATEMENT

Beginning fund balances for governmental funds have been restated to reflect a correction in beginning fund balances for the General fund and Conservation fund. This restatement is summarized below.

Beginning fund balance, June 30, 2008, as previously reported	\$ 5,825,909
Correction	<u>(86,264)</u>
Restated beginning fund balance, June 30, 2008	<u>\$ 5,739,645</u>

Beginning net assets for governmental activities has been restated to reflect a change in capital assets. This restatement is summarized below.

Net assets, June 30, 2008, as previously reported	\$ 15,640,371
Restatement of beginning net assets	<u>(75,067)</u>
Restated net assets, June 30, 2008	<u>\$ 15,565,304</u>

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES - BUDGET
AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	<u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>	<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
				<u>Original</u>	<u>Final</u>	
Receipts:						
Property and other County tax	\$5,345,023	\$ -	\$ 5,345,023	\$ 5,366,677	\$ 5,366,677	\$ (21,654)
Interest and penalty on property tax	30,735	-	30,735	20,000	20,000	10,735
Intergovernmental	4,973,524	-	4,973,524	5,410,396	5,410,396	(436,872)
Licenses and permits	14,550	-	14,550	8,050	8,050	6,500
Charges for service	858,719	-	858,719	1,027,085	1,027,085	(168,366)
Use of money and property	172,811	-	172,811	268,430	268,430	(95,619)
Miscellaneous	254,306	99,913	154,393	228,680	228,680	(74,287)
Total receipts	11,649,668	99,913	11,549,755	12,329,318	12,329,318	(779,563)
Disbursements:						
Public safety and legal services	1,748,244	-	1,748,244	1,353,352	1,364,752	(383,492)
Physical health and social services	2,542,309	-	2,542,309	3,839,719	3,841,719	1,299,410
Mental health	1,275,886	-	1,275,886	1,238,670	1,384,670	108,784
County environment and education	591,304	-	591,304	650,097	655,097	63,793
Roads and transportation	3,608,316	-	3,608,316	3,724,645	3,726,145	117,829
Governmental services to residents	412,463	-	412,463	493,785	493,785	81,322
Administration	943,532	-	943,532	1,084,334	1,100,334	156,802
Non-program	566,151	558,751	7,400	7,425	63,525	56,125
Capital projects	326,382	-	326,382	660,450	660,450	334,068
Total disbursements	12,014,587	558,751	11,455,836	13,052,477	13,290,477	1,834,641
Excess (deficiency) of receipts over disbursements	(364,919)	(458,838)	93,919	(723,159)	(961,159)	1,055,078
Other financing sources, net	404,507	400,467	4,040	21,000	21,000	(16,960)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	39,588	(58,371)	97,959	(702,159)	(940,159)	1,038,118
Balance beginning of year	4,784,840	286,300	4,498,540	3,642,964	3,642,964	855,576
Balance end of year	\$4,824,428	\$ 227,929	\$ 4,596,499	\$2,940,805	\$ 2,702,805	\$ 1,893,694

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$ 11,649,668	\$ (284,474)	\$ 11,365,194
Expenditures	<u>12,014,587</u>	<u>(80,000)</u>	<u>11,934,587</u>
Net	(364,919)	(204,474)	(569,393)
Other financing sources, net	404,507	-	404,507
Beginning fund balances	<u>4,784,840</u>	<u>954,805</u>	<u>5,739,645</u>
Ending fund balances	<u>\$ 4,824,428</u>	<u>\$ 750,331</u>	<u>\$ 5,574,759</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$238,000. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the E911 Service Board, and for Disaster Services by the Calhoun County Emergency Management Commission.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety and legal services function.

SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

Schedule 1

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Total
<u>ASSETS</u>							
Cash and pooled investments	\$ 29,265	\$ 227,930	\$ 6,075	\$ 14,682	\$ 9,764	\$ 33,962	\$ 321,678
Receivables:							
Accounts	-	-	-	561	-	2,247	2,808
Total assets	<u>\$ 29,265</u>	<u>\$ 227,930</u>	<u>\$ 6,075</u>	<u>\$ 15,243</u>	<u>\$ 9,764</u>	<u>\$ 36,209</u>	<u>\$ 324,486</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	\$ 117,746	\$ -	\$ -	\$ -	\$ -	\$ 117,746
Interest payable	-	76,343	-	-	-	-	76,343
Total liabilities	<u>-</u>	<u>194,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,089</u>
Fund balances:							
Reserved for drainage warrants	-	(156,047)	-	-	-	-	(156,047)
Unreserved	29,265	189,888	6,075	15,243	9,764	36,209	286,444
Total fund balances	<u>29,265</u>	<u>33,841</u>	<u>6,075</u>	<u>15,243</u>	<u>9,764</u>	<u>36,209</u>	<u>130,397</u>
Total liabilities and fund balances	<u>\$ 29,265</u>	<u>\$ 227,930</u>	<u>\$ 6,075</u>	<u>\$ 15,243</u>	<u>\$ 9,764</u>	<u>\$ 36,209</u>	<u>\$ 324,486</u>

See accompanying independent auditor's report

CALHOUN COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 2

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Total
Revenues:							
Intergovernmental	\$ 12,543	\$ -	\$ 1,260	\$ -	\$ -	\$ -	\$ 13,803
Charges for service	-	-	-	2,420	-	4,739	7,159
Use of money and property	-	-	-	60	-	-	60
Miscellaneous	-	99,913	-	-	-	-	99,913
Total revenues	<u>12,543</u>	<u>99,913</u>	<u>1,260</u>	<u>2,480</u>	<u>-</u>	<u>4,739</u>	<u>120,935</u>
Expenditures:							
Operating:							
Public safety and legal services	-	-	1,198	-	-	1,381	2,579
Non-program	-	691,280	-	-	-	-	691,280
Total expenditures	<u>-</u>	<u>691,280</u>	<u>1,198</u>	<u>-</u>	<u>-</u>	<u>1,381</u>	<u>693,859</u>
Excess (deficiency) of revenues over expenditures	12,543	(591,367)	62	2,480	-	3,358	(572,924)
Other financing sources:							
Drainage district warrants issued	-	400,467	-	-	-	-	400,467
Excess (deficiency) of revenues and other financing sources over expenditures	12,543	(190,900)	62	2,480	-	3,358	(172,457)
Fund balances beginning of year	<u>16,722</u>	<u>224,741</u>	<u>6,013</u>	<u>12,763</u>	<u>9,764</u>	<u>32,851</u>	<u>302,854</u>
Fund balances end of year	<u>\$ 29,265</u>	<u>\$ 33,841</u>	<u>\$ 6,075</u>	<u>\$ 15,243</u>	<u>\$ 9,764</u>	<u>\$ 36,209</u>	<u>\$ 130,397</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2009

Schedule 3

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash and pooled investments:										
County Treasurer	\$ -	\$ 1,762	\$ 161,945	\$ 81,596	\$ 7,198	\$ 40,796	\$ 2,562	\$ 258,903	\$ 79,111	\$ 633,873
Other County officials	39,269	-	-	-	-	-	-	-	-	39,269
Receivables:										
Property tax:										
Delinquent	-	665	2,290	31,874	2,353	39,661	253	-	8	77,104
Succeeding year	-	135,442	196,677	6,517,133	478,974	2,126,584	237,145	-	1,542	9,693,497
Accounts	469	-	-	-	-	-	-	-	13,105	13,574
Due from other governments	-	-	-	-	-	-	-	-	7,303	7,303
Total assets	<u>\$ 39,738</u>	<u>\$ 137,869</u>	<u>\$ 360,912</u>	<u>\$ 6,630,603</u>	<u>\$ 488,525</u>	<u>\$ 2,207,041</u>	<u>\$ 239,960</u>	<u>\$ 258,903</u>	<u>\$ 101,069</u>	<u>\$ 10,464,620</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 9,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,320	\$ 10,462
Salary payable	-	-	-	-	-	-	-	-	810	810
Due to other governments	34,631	137,869	351,770	6,630,603	488,525	2,207,041	239,960	258,903	98,939	10,448,241
Trusts payable	5,107	-	-	-	-	-	-	-	-	5,107
Total liabilities	<u>\$ 39,738</u>	<u>\$ 137,869</u>	<u>\$ 360,912</u>	<u>\$ 6,630,603</u>	<u>\$ 488,525</u>	<u>\$ 2,207,041</u>	<u>\$ 239,960</u>	<u>\$ 258,903</u>	<u>\$ 101,069</u>	<u>\$ 10,464,620</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2009

Schedule 4

	County <u>Offices</u>	Agricultural Extension <u>Education</u>	County <u>Assessor</u>	<u>Schools</u>	Community <u>Colleges</u>	<u>Corporations</u>	<u>Townships</u>	Auto License and <u>Use Tax</u>	<u>Other</u>	<u>Total</u>
<u>ASSETS AND LIABILITIES</u>										
Balances beginning of year	\$ 37,994	\$ 127,672	\$379,440	\$5,957,537	\$ 519,037	\$ 2,226,901	\$ 204,324	\$ 241,194	\$ 93,488	\$ 9,787,587
Additions:										
Property and other county tax	-	135,149	190,188	6,502,160	477,415	2,153,310	236,498	-	1,536	9,696,256
E911 surcharge	-	-	-	-	-	-	-	-	91,969	91,969
State tax credits	-	6,230	11,524	291,264	25,453	151,223	9,551	-	86	495,331
Office fees and collections	225,694	-	-	-	-	-	-	-	-	225,694
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,941,172	-	2,941,172
Assessments	-	-	-	-	-	462	-	-	-	462
Trusts	340,535	-	-	-	-	-	-	-	-	340,535
Miscellaneous	640	-	4,834	-	-	-	-	-	209,619	215,093
Total additions	566,869	141,379	206,546	6,793,424	502,868	2,304,995	246,049	2,941,172	303,210	14,006,512
Deductions:										
Agency remittances:										
To other governments	227,154	131,182	225,074	6,120,358	533,380	2,324,855	210,413	2,923,463	295,629	12,991,508
Trusts paid out	337,971	-	-	-	-	-	-	-	-	337,971
Total deductions	565,125	131,182	225,074	6,120,358	533,380	2,324,855	210,413	2,923,463	295,629	13,329,479
Balances end of year	\$ 39,738	\$ 137,869	\$360,912	\$6,630,603	\$ 488,525	\$ 2,207,041	\$ 239,960	\$ 258,903	\$ 101,069	\$ 10,464,620

See accompanying independent auditor's report.

CALHOUN COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION - ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

Schedule 5

Modified Accrual Basis

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:								
Property and other county tax	\$ 5,345,023	\$ 4,862,274	\$ 4,834,623	\$ 4,394,827	\$ 4,028,557	\$ 4,504,509	\$ 4,456,391	\$ 4,156,364
Interest and penalty on property tax	30,723	31,381	27,190	28,124	22,861	35,254	29,879	38,004
Intergovernmental	4,758,872	5,772,915	5,619,776	6,076,916	5,860,587	5,682,265	5,410,699	5,349,455
Licenses and permits	15,498	25,132	8,877	8,072	7,828	9,479	7,235	8,242
Charges for service	826,549	1,191,135	827,809	771,814	683,703	829,273	708,429	774,988
Use of money and property	170,658	277,837	327,506	267,324	165,447	127,201	155,856	179,681
Miscellaneous	217,871	710,367	144,587	446,893	313,523	921,505	511,811	360,928
Total	<u>\$ 11,365,194</u>	<u>\$ 12,871,041</u>	<u>\$ 11,790,368</u>	<u>\$ 11,993,970</u>	<u>\$ 11,082,506</u>	<u>\$ 12,109,486</u>	<u>\$ 11,280,300</u>	<u>\$ 10,867,662</u>
Expenditures:								
Operating:								
Public safety and legal services	\$ 1,743,535	\$ 1,246,797	\$ 1,210,321	\$ 1,150,588	\$ 1,374,782	\$ 1,127,485	\$ 1,108,275	\$ 1,026,952
Physical health and social services	2,516,749	3,506,317	3,323,350	3,199,600	3,287,599	3,442,855	3,359,161	3,335,317
Mental health	1,195,894	1,195,363	1,172,381	1,111,901	1,167,669	1,220,833	1,210,341	1,356,194
County environment and education	586,866	674,639	590,597	711,907	774,224	535,968	418,674	250,742
Roads and transportation	3,551,781	3,530,344	3,407,286	3,422,375	3,168,461	3,258,877	3,143,472	3,208,499
Governmental services to residents	414,838	411,312	377,359	367,729	325,891	303,527	256,362	243,536
Administration	937,809	897,791	853,276	815,228	812,006	823,195	763,239	695,371
Non-program	698,690	407,737	223,969	359,311	240,342	197,328	399,368	392,708
Capital projects	288,425	617,984	559,126	576,827	197,437	410,306	264,945	227,193
Total	<u>\$ 11,934,587</u>	<u>\$ 12,488,284</u>	<u>\$ 11,717,665</u>	<u>\$ 11,715,466</u>	<u>\$ 11,348,411</u>	<u>\$ 11,320,374</u>	<u>\$ 10,923,837</u>	<u>\$ 10,736,512</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 16, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Calhoun County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Calhoun County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Calhoun County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Calhoun County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09, I-B-09, I-C-09, and I-D-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Calhoun County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Calhoun County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Calhoun County and other parties to whom Calhoun County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

February 16, 2010

Hunzelman, Putzger & Co.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable Offices</u> |
|--|--|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Auditor, Treasurer,
Recorder, Sheriff |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer, Sheriff,
Recorder |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Auditor

1. The employees in the Auditor's office are cross-trained. As to the operating procedures, the mail is opened by the Auditor and distributed, checks are receipted promptly.
2. There are four employees involved in preparing, processing, reviewing and mailing out checks. All checks are mailed promptly.
3. The warrants are reviewed by the Auditor before mailing out. All checks are mailed from the Auditor's office.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements: (Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

Response – Treasurer

The opening of mail is done mostly by the Treasurer now. Since each employee of the office handles every aspect of office work, it is nearly impossible to segregate duties. We are working on this on a more rotating basis.

Response – Recorder

When it comes to duties within the office of the Recorder, I have myself and my full time deputy. Approximately twice a week, I also employ the previous retired Recorder to help me with paperwork of filing vital records, boats, snows & atv's, and to help me maintain my daily tasks. I generally open the daily mail, but in my absence, my deputy will do this. I reconcile my bank account each month and write out and sign required checks. All my duties must be shared by my staff in the event of my absence.

Response – Sheriff

Calhoun County Sheriff's Office is a small office that makes it nearly impossible to follow all recommendations made by the independent auditor. We do our best to comply with the recommendations of opening mail, reconciling cash books and statements, and signing checks, and will continue to try and follow recommendations set forth by the independent auditor.

Conclusion – Response accepted.

- I-B-09 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – We have addressed this control risk by engaging certified public accountants to prepare the financial statements. We have also appointed persons with sufficient knowledge to evaluate the preparation of the financial statements, and have reviewed and accepted the financial statements. There are sessions as part of our ISAC (Iowa State Association of Counties) meeting that are attended when available.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements: (Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

- I-C-09 Cash and Investments Reconciliation - Cash and investments have not reconciled to the general ledger balance during the year ended June 30, 2009. The difference at June 30, 2009, is approximately \$2,100. This is very similar to the difference at June 30, 2008.

Recommendation - Reconciliations of cash and investments should be done at the end of every month and any variance should be thoroughly investigated until located.

Response - This process is going better. The drainage districts are being balanced on a more consistent basis also. The County Treasurer will make an entry to adjust the General Ledger as instructed by the independent auditors. I believe there are still some issues with voiding transactions completely or making sure corrections are done accurately.

Conclusion - Response accepted.

- I-D-09 Unsupported Expenditure - A check was written in June, 2009, in the amount of \$19,200 to pay for a new Sheriff vehicle. However, the vehicle was not received and the check was not cashed until July, 2009.

Recommendation - Checks should not be written unless the County has taken possession of the items and there is proper documentation supporting the purchase.

Response - We will follow proper procedure in the future.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the public safety and legal services function.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - There was a change in the chart of accounts number and service area to separate public health and EMS costs in the middle of the budget year. We will keep check of this in the future for a budget amendment.

Conclusion - Response accepted.

- II-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-09 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-D-09 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Anderson Construction, owned by the spouse of an Assessor's office employee	Construction	\$ 765
B & M Construction, owned by Brent Maguire, Secondary Road employee	Construction	\$ 1,150

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions do not represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

- II-E-09 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-09 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-09 County Extension Office - The County Extension office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from county operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2009, for the County Extension office did not exceed the amount budgeted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-J-09 Excess Balance - The following funds have balances at June 30, 2009, in excess of one year's expenditures:

Special Revenue - Conservation Trust
Capital Projects

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the County has a specific plan for future expenditures. The County should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - Proposed projects using Conservation Trust funds include:

- Native American Cultural Center/Park safe room - \$250,000.
- Resurface roads at Featherstone Park - \$50,000.
- Heated water control building at Featherstone Park - \$12,000.
- Restroom Hwy 4 Recreation area - \$12,000.
- Restroom University 40 Park - \$12,000.
- Balance held for land purchase to expand existing areas.

Capitol Projects - We have completed three offices for windows and will continue the window project into the next fiscal year. There are dollars in the Capitol Project account for election equipment, computer upgrades, software, and two servers and new computers. Also for the courthouse heating system a boiler computer update.

Conclusion - Response accepted.

II-K-09 Public Bidder Property - There are properties in the County which currently owe approximately \$38,000 in delinquent property taxes. These properties are currently in "public bidder" status.

Recommendation - The Treasurer should confer with the County Attorney to determine appropriate remedies to settle these accounts.

Response - Public bidder properties are being worked on but has not been a priority due to the amount of other work needing to be done.

Conclusion - Response accepted.